

Result Update (19.10.2026)

“Margin Improvement and Strong Core Operating Profit Drive Performance in Q2FY27”

Ajcon Global's observations & views

1. The Bank's focus on reducing funding costs, replacing high-cost deposits and rebalancing its loan book towards higher-yielding advances is expected to support margin improvement and sustain operating profitability.
2. Improving underwriting standards, comfortable asset quality and a growing contribution from fee-based businesses are expected to support sustainable profitability, partially offsetting the anticipated moderation in recoveries and treasury income.

Q2FY27 RESULT ANALYSIS:

- 1) **Global Deposits** grew by 3.0% QoQ to Rs. 1777240 Crores in Q2FY27 against Rs. 1724837 Crores in Q1FY27 and increased 9.9% YoY from Rs. 1617080 Crores in Q2FY26.
- 2) **Global Advances** rose by 5.3% QoQ to Rs. 1341194 Crores in Q2FY27 against Rs. 1273132 Crores in Q1FY27 and surged 14.7% YoY from Rs. 1169592 Crores in Q2FY26.
- 3) **Global Business** increased by 4.0% QoQ to Rs. 3118434 Crores in Q2FY27 against Rs. 2997970 Crores in Q1FY27 and rose 11.9% YoY from Rs. 2786673 Crores in Q2FY26.
- 4) **Net Interest Income** up by 7.44% QoQ to Rs. 11601 Crores in Q2FY27 against Rs. 10798 Crores in Q1FY27 also rose by 10.8% YoY from Rs. 10469 Crores in Q2FY26.
- 5) **Total Other Income** decreased by 16.89% QoQ to Rs. 3601 Crores in Q2FY27 against Rs. 4333 Crores in Q1FY27 also down by 17.1% YoY from Rs. 4342 Crores in Q2FY26.
- 6) **Operating profit** rose by 0.17% QoQ to Rs. 7532 Crores in Q2FY27, against Rs. 7519 Crores in Q1FY27 and increased by 4.22% YoY from Rs. 7227 Crores in Q2FY26.
- 7) **Net profit** rose by 5.31% QoQ to Rs. 5532 Crores in Q2FY27 against Rs. 5253 Crores in Q1FY27 and it was up by 12.81% YoY from Rs. 4904 Crores in Q2FY26.
- 8) **Global NIM** increased to 2.58% in Q2FY27 against 2.50% in Q1FY27 but down from 2.60% in Q2FY26, respectively.
- 9) **Fee based income** down by 16% QoQ to Rs. 1954 Crores in Q2FY27 against Rs. 2339 Crores in Q1FY27 and increased by 16.0% YoY from Rs. 1685 Crores in Q2FY26.
- 10) **Global cost of deposits** has gone down to 4.96% in Q2FY27 against 4.99% in Q1FY27 and 5.18% in Q2FY26.
- 11) **Treasury income** decreased by 30% QoQ to Rs. 753 Crores in Q2FY27 against Rs. 1081 Crores in Q1FY27 also down by 57% YoY from Rs. 1769 Crores in Q2FY26.
- 12) **Cost/Income ratio** increased to 50.45% in Q2FY27 against 50.31% in Q1FY27 and fell from 51.20% in Q2FY26, respectively.
- 13) **The total Government guaranteed** decreased to Rs.62378 Crores in Q2FY27 against Rs. 70006 Crores in Q1FY27 and Rs. 70051 Crores in Q2FY26, respectively.
- 14) **CASA ratio** marginally dipped to 36.6% in Q2FY27 against 36.7% in Q1FY27 and 37.3% in Q2FY26, respectively.
- 15) **Return on assets (ROA)** remained at 1.05% in Q2FY27.
- 16) **Fresh slippages** increased to Rs. 2233 Crores in Q2FY27 against Rs. 1996 Crores in Q1FY27, respectively. Cash Recovery + Upgradation increased to Rs. 1762 Crores in Q2FY27 against Rs. 1589 Crores in Q1FY27 but decreased from Rs. 2716 Crores in Q2FY26, respectively.
- 17) **Gross NPA ratio** improved to 2.55% in Q2FY27 against 2.78% in Q1FY27 and 3.45% in Q2FY26, respectively. Net NPAs ratio also improved to 0.25% in Q2FY27 against 0.28% in Q1FY27 and 0.36% in Q2FY26, respectively.
- 18) **Credit cost** remained same at 0.25% in Q2FY27.
- 19) **Provision Coverage ratio** improved marginally to 97.32% in Q2FY27 against 97.23% in Q1FY27 and 96.91% in Q2FY26, respectively.
- 20) **The Bank's Capital Adequacy ratio** down to 17.95% in Q2FY27 against 18.13% in Q1FY27 but up against 17.50% in Q2FY26.

KEY FINANCIAL INDICATORS – Q2FY27

CMP (19.10.2026)	: Rs.121.90
Face Value	: Rs. 2
Book value per share	: Rs. 123.64
Market Capitalisation	: Rs. 1,41,421 Crs.
Capital Adequacy Ratio	: 17.95%
C/D ratio	: 75.5%
CASA ratio	: 36.6%
Net Interest Margin (NIM)	: 2.58%
Cost / Income ratio	: 50.45%
Gross NPA	: 2.55%
Net NPA	: 0.25%
PCR	: 97.32%
Slippage ratio	: 0.77%
Return on Assets (Annualised)	: 1.05%
Return on Equity (Annualised)	: 17.32%



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Management Comments

- 21) In response to an analyst's query on FCNR deposit utilisation, Mr. Ashok Chandra, MD & CEO, stated that the entire USD 2.7 billion raised through FCNR deposits was utilised to replace high-cost bulk deposits and certificates of deposit (CDs), reducing their combined share in total deposits to 17% from 19% QoQ
- 22) Talking about yield on advances and NIM trajectory, the MD & CEO, highlighted that the 10 bps improvement in domestic yield on advances to 2.74% was driven by the bank's balance sheet rebalancing strategy, involving the replacement of low-yielding advances with higher-yielding assets, and he expects further improvement in NIM, with the recent 25 bps repo rate hike expected to contribute a minimum of 7 bps to NIM in the coming quarter, supporting the bank's NIM guidance of 2.6–2.7%.
- 23) Replying to an analyst's query on slippages and asset quality, Mr. Ashok Chandra, clarified that the ₹300 crore domestic corporate slippage was a one-off case in the roads and infrastructure sector, with no material stress observed across corporate, MSME or retail portfolios due to geopolitical tensions; while agricultural asset quality remains stable, the bank is closely monitoring potential stress from drought risks in Maharashtra and Andhra Pradesh through its farmer-connect programme and regular borrower engagement.
- 24) Addressing an analyst's query on recoveries, the MD & CEO, indicated that while recoveries may be deferred across quarters due to procedural delays, the bank expects to achieve full-year recoveries of ₹12,000–13,000 crore, while highlighting credit cards, supply chain finance, cash management, wealth management and digital trade finance as key drivers to offset the anticipated decline in recoveries and treasury income.
- 25) Addressing an analyst's query on recoveries, the MD & CEO expects full-year recoveries of ₹12,000–13,000 crore, with ₹900–1,000 crore anticipated over the next two quarters, while highlighting new fee-based initiatives to offset the expected moderation in recovery and treasury income.
- 26) In response to an analyst's query on the SMA 0, 1 and 2 book, Mr. Ashok Chandra, stated that the total SMA book stood at 2.49%, comprising SMA 0 at 1.26%, SMA 1 at 0.56% and SMA 2 at 0.67%.
- 27) Replying to an analyst's query on medium-term profitability, the MD & CEO, reiterated the bank's confidence in delivering 15–17% ROE and ROA of 1.04–1.05%, supported by core operating profit growth of over 29%, an expected credit cost of 0.25–0.30%, and lower provisioning requirements under ECL, with the estimated ECL provision at ₹8,000 crore on the loan book versus the earlier estimate of ₹9,000–10,000 crore.
- 28) In response to an analyst's query on absorbing the impact of ECL provisions while maintaining profitability, Mr. Ashok Chandra, stated that the bank's 0.25% credit cost already factors in additional provisioning, including approximately ₹700 crore towards NPAs and ₹125 crore in floating provisions, while ₹1,150 crore in standard provisions and ₹2,500–2,560 crore in additional NPA provisions are available to mitigate the impact of ECL implementation.
- 29) In response to an analyst's query on the cost of funds trajectory, the MD & CEO, stated that the bank expects further moderation in deposit costs by maintaining deposit growth at 8–9% without increasing deposit rates or mobilising high-cost CDs, while continuing to replace low-yielding advances (₹58,000 crore churned in H1FY27) with higher-yielding corporate loans to drive incremental improvement in NIM and overall profitability.